

Submission to the Vocational Education and Training Review

31 January 2019



About VACC

The Victorian Automobile Chamber of Commerce (VACC) is Victoria's peak automotive industry association, representing the interests of more than 5,300 members in over 20 retail automotive sectors that employ over 50,000 Victorians.

VACC members range from new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), and automotive dismantlers and recyclers.

The VACC is also an active member of the Motor Trades Association of Australia (MTAA) and contributes significantly to the national policy debate through Australia's peak national automotive association.

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Terms of Reference

- 1. The Review will have regard to VET funding, policy and regulatory settings and how they can be optimised to support both school leavers and workers to maximise the achievement of relevant skills and employment outcomes from the VET sector.**
- 2. It will examine skills shortages in VET-related occupations, in particular any tension between VET outcomes and the needs of industries and employers, and what might be done to better align these.**
- 3. It will consider expected changes in future work patterns and the impact of new technologies and how the VET sector can prepare Australians for those changes and the opportunities they will bring.**
- 4. The Review may consider the flexibility of qualification structures, particularly for mid-career workers, and for industries seeking rapid deployment of new skills.**
- 5. The Review may have regard to community perceptions of the effectiveness of the VET sector and the accessibility and utility of information about VET options and outcomes, both for employers and students, including information linking training options to employment outcomes.**
- 6. It may review whether additional support is needed for vulnerable cohorts, including those currently unemployed and at risk of unemployment, or those with low literacy and numeracy skills.**
- 7. The Review may seek out case studies of best practice in VET and consider whether specific trials should be undertaken to test innovative approaches likely to deliver better outcomes.**
- 8. The Review should have regard to the scope and outcomes from any previous or forthcoming reviews, consultation to date, and inputs made by industry and peak groups.**

Recommendations

Recommendation 1:

- *That the Federal Government set a renewed national vision for vocational education and training*
- *That the Federal Government fund a national campaign to promote the value of apprenticeships to employers, job seekers, students, careers advisors and parents*
- *That the Federal Government acknowledge the underfunding of vocational education and training and set goals to achieve real growth in VET funding across all jurisdictions*
- *That the overall cost burden associated with businesses employing apprentices is reduced through the provision of improved support measures and incentives to employers.*

Recommendation 2:

- *That an industry-led, competency-based system built around occupational skill standards should remain as the foundation of the VET system.*

Recommendation 3:

- *That current models of industry engagement in VET as determined by Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) be re-evaluated with a view to strengthening the level of industry engagement towards the design and skills content of VET qualifications*
- *A strengthening of industry governance and strategic leadership arrangements within the VET sector, including a review of the role of the AISC within this process*

Recommendation 4:

- *Scoping of alternative models of funding for RTOs that are not dependent upon the sign-off of apprentices*
- *Consideration of the establishment of an independent assessment authority as the final arbiter of training quality and student sign-off, as utilised in other industries such as banking and finance*
- *Consideration of graded levels of student assessment that rate student competency in terms of a numerical scale or ranking across key criteria*

Recommendation 5:

- *That VET policy reform encompasses the upskilling of automotive TAFE teachers in modern vehicle technology and/ or the recruitment of suitably trained teaching personnel for the future delivery of automotive trade qualifications.*
- *That there be mandated annual periods of industry relevant training for all skills teachers*

Recommendation 6:

- *Splitting the delivery of units of competency for a qualification among more than one RTO within low student volume training markets*
- *the consolidation of thin training markets into one RTO nationally, with greater funding supplementation at a state or national level for employers and students to access such training.*

Recommendation 7:

- *That increased funding is allocated to improve the quality of career advice in schools. This should include resources aimed at strengthening both industry engagement and the professional development of careers advisors.*

Background

The Australian apprenticeship system in partnership with training providers and industry has been the primary model of skills formation and delivery in the automotive industry over the past 100 years or more.

Automotive apprenticeships and traineeships are amongst the most popular within the VET sector, with over 48,000 program enrolments annually. Automotive apprentices and trainees are also used across many other industries including mining, building and construction and transport and logistics.

Whilst this system has served the industry well, the ability of RTOs to deliver effective skills training has diminished notably in recent years, and this has been to the detriment of industry and the economy more broadly.

In accordance with the Terms of Reference, this submission provides an overview of the key issues affecting the VET sector from an automotive industry perspective, along with recommendations outlining actions that can be taken to improve VET outcomes.

Responses to Terms of Reference items

1. VET funding, policy and regulatory settings and how they can be optimised to support both school leavers and workers to maximise the achievement of relevant skills and employment outcomes from the VET sector

VET Funding

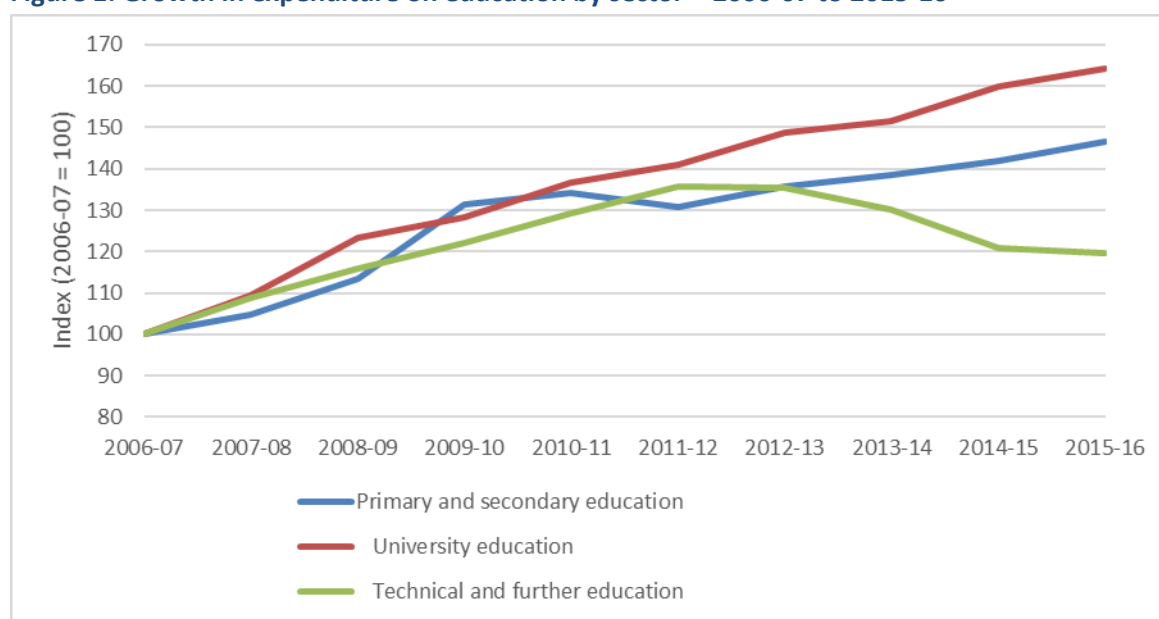
Industry-led apprenticeship training continues to remain the main source of skilled labour for automotive businesses. Given that the automotive industry is on the verge of unprecedented technological change as seen through the rapid transition towards electric, hybrid and autonomous vehicles, the importance of relevant and up-to date-training for the industry is critical.

Despite this industry need, VACC observes that the proportion of funding across all levels of government towards vocational education and training (VET), as seen through the funding of TAFEs, has been declining annually since 2012/13. By contrast, government expenditure in primary, secondary and tertiary education has been rising over the period as shown in Figure 1.

Regrettably, this relative decline in VET funding has resulted in a steep reduction in annual commencements of automotive apprentices and trainees over this period, particularly amongst younger students aged 19 years and below, and to the detriment of the automotive industry.

It is estimated that the automotive industry requires approximately 14,000 new entrants annually to balance natural attrition levels with business demand within the automotive labour market. Annual apprentice and trainee commencements within the automotive industry are currently at 10,629 which is well below industry requirements and this training deficit has persisted since 2012/13. For many small business employers, the total costs involved in engaging an apprentice have also become very prohibitive and are a key barrier to apprentice uptake within the labour market. These issues will only be compounded by the transition to electric and autonomous vehicles over the next few years, and place further stresses on the VET system, businesses and the automotive labour market.

Figure 1: Growth in expenditure on education by sector – 2006-07 to 2015-16



Source: ABS Government Finance Statistics, Australia, Cat. No. 5518.0.55.001

VACC views investment in VET as a critical priority for federal government. There has been a lack of consistency in national policy leadership in VET, with ten federal skills Ministers in six years. Also, a lack of cohesion between states and the federal government on VET funding objectives has hindered reform in apprenticeships and the VET system more broadly. With higher education uncapped and demand driven, more school leavers are opting for university and more training providers are gravitating to the higher education system as it has greater funding certainty and higher per-student funding. The VET system has therefore effectively become the poor cousin to higher education and the perception of its value is much lower than the reality. Both education systems however, should be recognised as being equally valuable.

VACC therefore proposes that the federal government allocate greater investment in apprenticeships and the VET system. Specifically, VACC recommends the following:

Recommendation 1:

- *That the Federal Government set a renewed national vision for vocational education and training*
- *That the Federal Government fund a national campaign to promote the value of apprenticeships to employers, job seekers, students, careers advisors and parents*
- *That the Federal Government acknowledge the underfunding of vocational education and training and set goals to achieve real growth in VET funding across all jurisdictions*
- *That the overall cost burden associated with businesses employing apprentices is reduced through the provision of improved support measures and incentives to employers.*

These measures will not only increase the attractiveness of apprenticeships and trade careers across all industries, but also help arrest the slide in apprenticeship and trainee commencements by reducing the cost of apprentice hiring and incentivising the uptake of apprentice employment amongst small and medium businesses.

VET Policy and Regulation

It is VACCs firm view that an industry-led, competency-based system built around occupational skill standards should remain as the foundation of the VET system.

The automotive industry is heavily influenced by changing technologies, as seen through the advent of connected electric, hybrid and autonomous vehicles. This new generation of motor vehicles will require new job roles and specific occupational skills that enable both students and existing workers to safely repair and service these technologies. Automotive courses will therefore require greater technical rigor, particularly in diagnostics, IT and data interpretation. Therefore, any reforms that attempt to water down the job specific nature of automotive qualifications, under the guise of more generic adaptability and training, are strongly opposed by the automotive industry.

More generalist qualifications will also likely work against automotive students, limiting both their skill levels, opportunities in the marketplace with employers and employment mobility. This would further compound the skill shortages affecting businesses and increase attrition levels and frustration for students.

Recommendation 2:

- *That an industry-led, competency-based system built around occupational skill standards should remain as the foundation of the VET system.*

To support skills development in new and emerging motor vehicle technologies, VACC believes that VET policy can also be optimised through the strengthening of policy standards in several key areas that are presented below.

Industry engagement and VET governance

According to reports received from industry by VACC, there is evidence that current programs of industry engagement by training providers are very limited and contain little in the way of grass roots industry consultation. There is also a perceived lack of transparency in decision making, particularly relating to the design and skills content of training packages and qualifications. Ultimately, this can result in qualification design and skill selections that are unrepresentative of the broader needs industry, thus depriving students of the real skills needs that are required in the workplace.

To this extent, the creation of the Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) in 2014/15 has not delivered the desired quality of industry engagement or input towards the design and content of VET training packages. Furthermore, there are perceptions within industry that the composition of many IRCs is quite narrow and that the overall performance of the of AISC as an industry governance body for VET has been disappointing. In addition, the AISC is seen to have failed in its strategic leadership role as an advisory body to COAG in regard to the operation of the VET system.

VACC therefore recommends the following:

Recommendation 3:

- *That current models of industry engagement in VET as determined by Australian Industry Skills Committee (AISC) and Industry Reference Committees (IRCs) be re-evaluated with a view to strengthening the level of industry engagement towards the design and skills content of VET qualifications*
- *A strengthening of industry governance and strategic leadership arrangements within the VET sector, including a review of the role of the AISC within this process.*

RTO assessment standards

Employers have long bemoaned the fact that RTO assessment procedures and standards for apprentices and trainees are inadequate. RTO's generally assess student's as either being 'competent' or 'not-competent', but this gives little indication to employers of the actual level of competence of a student, or their abilities in key areas.

A further complication arises from the fact that funding for RTOs is linked to the sign-off of apprentices. This gives rise to an incentive for RTOs to churn out students as being competent. Many employers have expressed legitimate concerns of RTO pressure to sign-off students to release funding, despite some students not being fully competent.

VACC believes that there is scope for policy reform towards RTO assessment procedures and standards to ensure better quality outcomes for all parties. VACC therefore recommends the following initiatives for consideration:

Recommendation 4:

- *Scoping of alternative models of funding for RTOs that are not dependent upon the sign-off of apprentices*
- *Consideration of the establishment of an independent assessment authority as the final arbiter of training quality and student sign-off, as utilised in other industries such as banking and finance*
- *Consideration of graded levels of student assessment that rate student competency in terms of a numerical scale or ranking across key criteria.*

Strengthening teaching standards

Within the diminishing national cohort of automotive TAFE teachers, there is currently limited capacity and technical capability to teach skills required by industry relating to the servicing and repair of hybrid and electric vehicles and semi-autonomous technologies, such as auto emergency braking (AEB), lane departure warning, adaptive cruise control and many others that are now standard on new vehicles. VACC therefore advises that VET policy reform should encompass a national program aimed towards the upskilling of automotive TAFE teachers in modern vehicle technology, along with the recruitment of suitably trained teaching personnel for the future delivery of automotive trade qualifications.

Automotive apprentices and trainees are also used across many industries, including mining, building and construction and transport and logistics. However, the ability of teachers to deliver effective skills training in such areas as heavy vehicles and mobile plant is contingent on being able to access sufficient funding and resources to invest in specialised equipment. Without such appropriate financial support, the quality of future skills delivery in these and other specialised areas could be at risk.

VACC therefore recommends the following:

Recommendation 5:

- *That VET policy reform encompasses the upskilling of automotive TAFE teachers in modern vehicle technology and/ or the recruitment of suitably trained teaching personnel for the future delivery of automotive trade qualifications.*
- *That there be mandated annual periods of industry relevant training for all skills teachers.*

Tailored training plans

A source of frustration for many employers revolves around training delivery by RTOs that is not reflective of job tasks and job roles within the workplace. RTOs will often deliver a standard schedule of training according to ease of delivery or in a way that maximises their funding. It should be the employer's right and responsibility to negotiate a tailored training plan with an RTO in accordance with their needs. Often employers are unaware of this choice and simply accept what is offered by an RTO. A better articulation of these choices between RTOs and the business community can potentially improve training outcomes for all parties.

Overcrowded and thin training markets

In recent years, the number of RTOs has escalated dramatically from 3,000 in 2012 to 4,200 currently. There are now too many RTOs delivering training in what is a very crowded training market. Within this saturated training environment, the competition for students has affected the ability of many RTOs to deliver courses and provide services as expected by the business and wider community. Of major concern is the diminishing ability of RTOs to service regional areas, as well as thin (low volume) training markets. The provision of training in critical skilled trades such as marine, motorcycle, engine reconditioning and many others, are rapidly disappearing within RTOs due to low student numbers and the costs associated with running such courses.

In many regional areas, an RTO is the only post-school education facility available to the local community, necessitating the provision of a wide range of courses covering the needs of both regional employers and the wider community.

In contestable and demand driven training markets, the current funding mechanisms within VET reward large-scale, low cost training delivery. For thin markets, these funding mechanisms often do not meet staffing, infrastructure, material and overhead costs, which can result in compromised training solutions or a withdrawal from specific trade training altogether. Key examples of this include the scarcity of bicycle trade training among RTOs and the merging of automotive engine reconditioning training with other trades at some institutions. There is a potential risk in thin training markets of both employer and student disengagement from trade training.

Greater flexibility of both training delivery and funding arrangements can overcome many of the barriers associated with servicing thin markets. Whilst the economics associated with thin training markets dictate that most solutions will end up costing more, this needs to be weighed against strong industry expectations and a strong public interest in the provision of skills training.

VACC therefore recommends the following initiatives for consideration:

Recommendation 6:

- *Splitting the delivery of units of competency for a qualification among more than one RTO within low student volume training markets*
- *the consolidation of thin training markets into one RTO nationally, with greater funding supplementation at a state or national level for employers and students to access such training.*

Careers advice in schools

In VACC's experience, poor or inaccurate careers advice is a major contributing factor in the misalignment of the expectations of young school leavers and their suitability towards certain job roles. Career advisors are often time poor, lack adequate resources and can be confused by the diverse expectations from various industries.

Due to the challenges faced by career advisors, students are often not equipped with detailed advice on industry expectations, including advice on skills and attributes required for the learning and development phases on an apprenticeship. Poorly conceived careers advice based on a scant understanding of an industry is misleading and has the potential to see students bounced around the employment market, with some school leavers losing their footing very early in their career journey.

Schools need the capacity, human resources and financial scope to engage individuals from industry to provide dedicated career advice. This engagement strategy should include leading employer bodies, who often have the expertise and knowledge to properly inform students of the various job roles and career opportunities in an industry.

Government should also consider effective professional development programs for career advisors, a requirement to collaborate with industry, and the use of more flexible structures in the school environment where students can participate in vocational learning.

Recommendation 7:

That increased funding is allocated to improve the quality of career advice in schools. This should include resources aimed at strengthening both industry engagement and the professional development of careers advisors.

Pathways between VET and universities

Having appropriate course articulation between RTOs and universities is a desirable objective in helping raise educational aspirations and outcomes for many students. Additionally, this could also lead to enhanced career opportunities within the workforce. In practice however, existing articulation arrangements between the VET and higher education sectors are weak. There is little in the form of unified pathways and evidence of such applications remains inconsistent. Furthermore, there is a lack of information and transparency surrounding these matters and this limits student transitions between VET and university. These issues are even observed within 'dual sector' institutes. A key problem in this regard is the separate funding and regulatory arrangements that exist between the VET sector and higher education.

2. Skill shortages in the VET-related occupations, including tensions between VET outcomes and the needs of industries and employers, and what might be done to better align these.

The automotive industry is currently experiencing a national shortage of approximately 35,000 skilled workers. This is the highest level of skill shortages ever recorded for the industry and the impacts of these at the business level have been dramatic. Key skill shortages have been reported across all automotive occupations and in particular, for the following:

- Light vehicle mechanics
- Vehicle spray painters
- Panel beaters
- Heavy vehicle mechanics
- Automotive electricians
- Motor vehicle and parts salespersons
- Tyre fitters
- Spare parts interpreters

As outlined earlier, there has been a training deficit for automotive apprentices since 2012/13. Whilst this has been a contributing factor towards the skills crisis, analysis conducted by VACC indicates that most automotive businesses (53%) do not hire apprentices or engage with the VET system at all. Many of these businesses are disillusioned with the quality of apprentices delivered by the VET system and are therefore reluctant to hire apprentices, thus further exacerbating the skill shortage situation.

Many employers regard the Certificate III level automotive qualifications as not being orientated towards contemporary workshop repair practices and vehicle technologies, making them largely unsuitable for their businesses. This situation is also compounded by a rigidity in available core units and subject choices that are unable to be customised for the benefit of specific workshops. To this extent, trainers need to be more attuned to the needs of industry when delivering units and courses. Often any training options that are available, are generally not well publicised, and navigating RTO websites and government portals for information can be frustrating for employers.

Employer disillusionment also relates to generally poor levels of literacy, numeracy and learning difficulties that are often presented amongst automotive apprentices. Automotive students are required to possess a solid command of STEM skills (science, technology, engineering and maths) in order to understand and be able to work with modern vehicle technologies. Regrettably, a failure to recognise these expectations has resulted in a misalignment between the skills needs of employers and the expectations of students in the workplace.

A better alignment between VET outcomes and the needs of industry and employers can be fostered in many ways. A key starting point rests with VET in Schools programs and career advice. As outlined, school career advisors require a better understanding of the automotive industry, the technological revolution shaping motor vehicles and the industry's demand for higher caliber students with proficiencies in STEM skills. Traditional stereotypes that automotive trades are for the less academically inclined are falsely predicated, however such views still persist amongst the career advice fraternity. Ultimately this leads to poor quality careers advice and decision-making for students and unfortunately, negative employment outcomes and a recurring skills crisis.

Other improvements can include a better student profiling system between schools, TAFEs and employers to determine the suitability of students interested in automotive trades. TAFE trainers can also play a vital role in helping keep students better engaged and focused in the classroom, using individual learning plans and tailored teaching methods. This may require an investment in up-skilling on the part of many TAFE teachers in the understanding different learning styles and their application to respective individuals.

3. [Expected changes in future work patterns and the impact of new technologies and how the VET sector can prepare Australians for those changes and the opportunities they will bring.](#)

As described, the automotive industry is facing a new era of unprecedented technological change, as seen through the uptake of connected electric, hybrid and autonomous vehicles over the next decade. These technologies will require deeper and more segmented workforce skills, as the scope of these technologies become far too complex to master in any generalist or all-encompassing job role.

Consequently, there is an expectation across many parts of the automotive industry, that we will see the emergence of new and specialised job roles, such as an electric vehicle technician, or a hybrid vehicle technician, as well as new job opportunities surrounding the servicing, repair and recycling of lithium batteries.

For the VET sector, these developments will present many challenges. Inevitably, the VET sector will need to be establish a program of much closer engagement with industry to better understand the

impact of these changes within the workplace and be able to respond in a timely manner through the delivery of appropriate technology and job-specific training.

An improved program of industry engagement, with well-coordinated regulatory oversight, can provide the necessary intelligence and action plans to enable the VET sector to respond to these challenges and opportunities. To meet industry requirements, there may be significant investment required in resources within the VET sector for the delivery of courses, qualifications and skill sets that are representative of future job roles. Such investment may include:

- investment by RTOs in specialised equipment for new technology training
- an up-skilling of existing teaching staff in contemporary vehicle technologies
- the recruitment of new teaching staff with industry experience in new vehicle technologies
- the delivery of new job-specific qualifications encompassing electrical theory, operations and diagnostics related to modern automotive technologies

Concluding Remarks

Invariably, the economics of industry dictate that employers cannot afford to send students off to an RTO, unless the training outcomes properly equip the students with additional skills that can be applied immediately in the workplace. Unfortunately, this message has been lost within the VET sector, hence the withdrawal of many employers from VET, and the proliferation of ever deepening skill shortages across industry.

For VACC, it is also very disconcerting to see that there has been little to no change in VET outcomes since the introduction of Standards for RTOs in 2015. Even though many RTO audits have taken place, these audits have continually failed to recognise the issue of poor RTO assessment practices that do not meet industry standards. Furthermore, basic relevant industry engagement is still non-existent. This is exemplified in a recent case where an RTO undertook training for over 100 apprentices and yet was able to meet the requirement for industry consultation by providing evidence of consultation that only consisted of a few employers. This lack of industry consultation to a wider audience that includes industry bodies, raises serious concerns around the current standards and auditing processes.